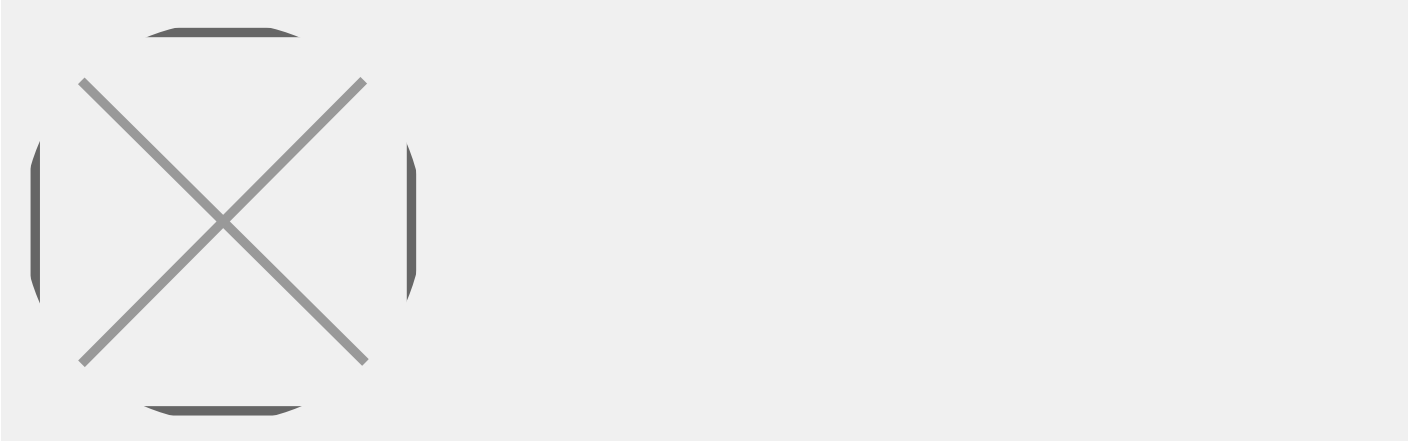
Interview: Tom Reeves, CEO, Interface Biologics, Canada



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Tom Reeves of Interface Biologics (IBI) offers his input about the company's roadmap towards commercialization, as well as IBI's differentiation and the advantages of collaborating with international partners.

You joined IBI in 2008, what was your initial mandate upon arriving here?

My initial mandate was to demonstrate commercial viability. Since the company's establishment in 2001 there had been a tremendous amount of quality technology development, but little commercial progress and therefore the challenge was to secure OEM licensing deals which would demonstrate commercial validation of our technology platforms.

IBI is focused on biomedical polymers, which are used to improve the safety of medical devices. There are two core sectors to IBI's business: 1) non-drug additives (our Endexo technology) which reduce thrombosis in blood contacting medical devices and 2) oligomer technology that supports combination of drug delivery devices (our Epidel and Kinsesyx platforms).

What are the necessary steps to create a culture of innovation, particularly given that southern Ontario is a big hub for biotechnology engineering?

I think the culture of innovation already exists in Southern Ontario and there is a range of interesting technology being developed at Canadian universities and hospitals. The challenge has

been in successfully bringing these technologies to market. The lack of early stage investment capital is a major hurdle and despite recent positive signs, this is still the primary issue that early stage companies face. I also think that the lack of life sciences companies headquartered in Southern Ontario is a drawback as these companies provide employment opportunities, seed capital and management training that is key to the success of any cluster initiative. Finally, we need more leaders in Ontario who have led early stage companies to successful exits both to attract capital as well as to train and develop the next generation of leaders.

How important is breaking the paradigm of lack of cooperation and cohesion between market players?

I don't see a lack of cooperation between market players. I'm involved in a number of cross industry initiatives with active participants who are in fact competitors. I think all of us are interested in developing a successful life sciences cluster in Southern Ontario in general and Toronto in particular but this is a difficult task and will require a concerted effort over many years to come.

Medical devices typically have a three-year product life cycle in Canada, and patent protection is less sought after for medical devices than pharmaceuticals. What implications has this had for IBI?

Depending on the specific product innovation, I think that the life cycle can be significantly longer than 3 years so patent protection is still important. As a material supplier, patents are central to IBI's differentiation and we currently have nine US patents issued and 17 patents pending. Because our materials provide a fundamental differentiation for the device, while the life cycle of a particular product may be two to three years, our material can continue to be used on future product generations.

What is the future potential of Interface being able to use its wide variety of biomedical polymers in the international market?

We use an OEM licensing model for our Endexo platform, which means that we license our technology for the exclusive use of a medical device manufacturer for a specific field of use. To date, we have signed agreements with AngioDynamics for vascular access catheters and Fresenius Medical Care for dialysis systems. While these are two of the major markets for blood contacting devices, there are a number of other potential applications we are actively pursuing. Ultimately, we believe that the royalty opportunity for our Endexo anti-thrombogenic polymers is likely in the ~$100 million per year range.

The market for our polymer enabled drug delivery devices is potentially greater. Our Epidel anti-infective technology can enable a sustained release of anti-microbial agents directly from a device, eliminating biofilm and ultimately reducing infection rates. We're working on a number of different prototypes currently in the cardiovascular, orthopedic and ophthalmology markets.

Our Kinesyx bio-active oligomers allow for flexible drug release kinetics (60 seconds to 30+ days) for a variety of drugs from different devices. We currently have a partnership agreement with Qualimed, a German OEM manufacturer, to combine their balloon technology with our oligomers to create a drug coated balloon for peripheral vascular disease. We expect to file for CE mark for this joint product in 2014.

What sets IBI's products apart from the competition?

I think the best example is the use of Endexo in the AngioDynamics BioFlo PICC which is on the market in the US, Canada and Europe. Because Endexo is not a coating, it is a permanent and non-eluting integral polymer, which is present on all surfaces of the catheter: inner lumen, outer lumen and even the cut surfaces. In-vitro blood loop model test results show that on average the BioFlo PICC with Endexo technology has 87 percent less thrombus accumulation on its surface compared to competitive PICCs. We are also now seeing tremendous clinical results with the BioFlo PICC with significant reductions in complications, specifically deep vein thrombosis.

The other advantage of the Endexo technology vs. the competition is the fact that as an additive, there is no change to the manufacturing process nor to the underlying functionality of the device.

Have you looked for partnerships in any of the emerging markets, particularly Asia? And what makes IBI a potential partner of choice?

Our current partners, AngioDynamics and Fresenius, are both active in international markets including Asia. We have also had discussions with a number of Chinese and Japanese companies who are interested in various applications of our technology.

Our bio-medical polymer technology is FDA approved and has been able to demonstrate strong clinical benefits with minimal manufacturing changes or impact on the underlying device functionality.

What would you like to achieve in the next five years?

I'd like to see more IBI technology enabled products receive regulatory approval and demonstrate outstanding clinical results that will both improve patient outcomes and lower costs of our

healthcare systems. I'd also like to see IBI's investors get a return on their investment through a full or partial exit. Ultimately, I'd like to see IBI viewed as a benchmark of success for other Ontario companies.

IBI is an example of what we have in Canada in general and Ontario in particular: strong base technology with clinical and commercial validation. Through our three bio-medical polymer technology platforms we can provide the opportunity for both medical device and pharmaceutical companies looking to improve the safety and effectiveness of their products.

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